

CITY OF DELAWARE CITY
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2009



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

City of Delaware City
407 Clinton Street
Delaware City, Delaware

We have performed the procedures enumerated below, which were agreed to by the City of Delaware City, State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the City's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2009. The City of Delaware City's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the City of Delaware City's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2009 and detail any instances of noncompliance.

The City of Delaware City received municipal grant funds under the following programs for the year ended June 30, 2009:

Municipal Street Aid
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 09-1 - Bank Account Titled Incorrectly

Criteria

Per Title 30, Delaware Code, Section 5165(a), each municipality shall keep all funds received from the state municipal aid fund in a separate account, designated as "Municipal Street Aid Fund."

Condition

The City of Delaware City maintained a separate account but the account was designated as "Municipal Aid Fund."

Cause

The City of Delaware City was unaware that the word "Street" was required in the account title.

Effect

The City of Delaware City's failure to properly title the bank account could result in the loss of grant funding.

Recommendation

The City of Delaware City should notify the bank and change the account title to "Municipal Street Aid Fund."

Auditee Reponse

The City of Delaware City has complied with the recommendation and had the bank account title changed to "Municipal Street Aid Fund."

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 06-1 During completion of the City of Delaware City's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid grant funds has a weakness. There is no independent review of the Municipal Street Aid bank account reconciliation. An independent review of the bank statement and reconciliation will improve the City's cash internal control. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

CURRENT YEAR STATUS The City has proper segregation of duties.

FINDING NO. 06-2 During completion of the City of Delaware City's program checklist for the Municipal Street Aid grant, it was noted that their financial documents and transactions were administered in accordance with the applicable laws and regulations, and that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The expenditures were understated by

\$5,396.34 on the annual report. In addition, the beginning balance was understated \$6,481.56 and the ending balance was understated by \$1,085.22. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS The annual financial report was accurately prepared.

FINDING NO. 06-3 During completion of the City of Delaware City's program checklist for the State Aid to Local Law Enforcement (SALLE) and Emergency Illegal Drug Enforcement (EIDE), it was noted that the Statement of Sworn Officers did not have the signature of the City's Chief Executive as required by SALLE Manual, Chapter III, 2. Failure to comply with grant regulations could result in the loss of grant funding.

CURRENT YEAR STATUS The Statement of Sworn Officers contained all required signatures.

FINDING NO. 06-4 During completion of the City of Delaware City's program checklist for the State Aid to Local Law Enforcement (SALLE), it was noted that \$359.98 was expended on an ineligible item. Grant regulations require funds to be expended only for the purposes and activities outlined in the application (SALLE Manual, Chapter III, 6). The error occurred due to a revision in the original application by the SALLE Committee that was not reflected in the City's records.

CURRENT YEAR STATUS All funds expended were for eligible items.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Delaware City's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Safety and Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Wilmington, Delaware
December 3, 2009

